



ORYX PROPERTIES LIMITED

1H21 Initial Impression

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Research Analyst:

Danie van Wyk
danie@ijg.net
+264 61 383 534

Oryx Properties Limited

1H21 Initial Impression

Target Price (c)* **1491**

Current Price (c) **1251**

Year End 30 June	2018	2019	2020	F2021	F2022	Recommendation*	HOLD
Revenue (N\$ m)	304.9	324.8	332.8	313.0	321.4	NSX Code	ORY
Vacancies (%)	6.5	3.2	5.4	5.4	5.4	Market Cap (N\$ m)	1,093
HEPU (c)	146.0	137.4	3.9	119.3	127.8	Shares in Issue (m)	87.4
HEPU growth (%)	-7.9	-6.0	-97.2	-13.2	7.1	Free float (%)	100
DPU (c)	157	150	69.75	133	143	52 week high (c)	1848
DY (%)	7.8	7.7	4.0	7.2	6.9	52 week low (c)	1200
P/E (x)	13.8	14.8	448.5	15.5	14.5	Expected Return (%)*	19.2
D/A (%)	35.9	35.0	39.1	35.3	35.3		

Source: ORYX PROPERTIES LIMITED, IJG

1H21 Initial Impression

Oryx Properties Limited (Oryx) released interim results for the period ended 31 December 2020. A distribution of 56.50 cents per linked unit was reported for the period, representing a 19.0% decrease from the 69.75 cents per unit reported for the corresponding period in 2020. No dividend was declared for the period. Earnings attributable to linked units per unit (EPU) declined by 74.4% y/y to 32.59 cents per unit. Headline earnings attributable to linked units however increased by 28.4% y/y from 74.66c in 1H20 to 95.88c in 1H21.

It is clear from the results release that the trading conditions for Oryx and its tenants remained challenging. During the reporting period, Oryx provided N\$16 million in rental relief to its tenants, resulting in rental income contracting 9.9% y/y to N\$153.5 million. Excluding this would have seen Oryx' rental income remaining relatively flat compared to 1H20. Oryx' cost to income ratio consequently increased from 30.75% in 1H20 to 35.96% in 1H21. While the rental relief is negative for Oryx' revenues, it is at least keeping vacancies low. With the release of the FY20 results, Oryx management made it clear that they are using creative solutions such as payment deferrals to ensure some rental is still collected, as opposed to just writing it off completely. Solutions like these are crucial, in our view, as new tenants are not exactly lining up to fill vacancies in the current economic environment. Management mentions that rental collections are improving steadily, with average collections between April 2020 and January 2021 being at 92%. Net rental income declined by 22.5% y/y to N\$93.9 million, compared to N\$121.1 million in 1H20. Rental expenses were well contained, decreasing by 2.0% y/y to N\$52.7 million. Capital expenditures were kept relatively low at N\$5.6 million during the period.

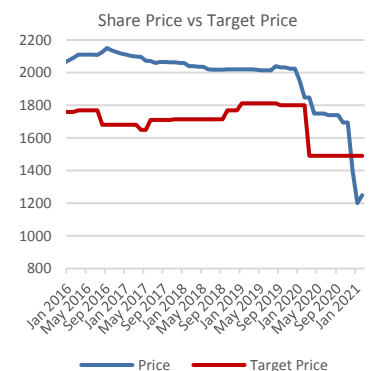
Oryx recorded a loss after tax for the period of N\$20.9 million, compared to a profit after tax of N\$50.1 million in 1H20. The directors passed through N\$74.0 million as a negative fair value adjustment to the property portfolio, which was attributed to the retail and office segments remaining under pressure. The value of Oryx' property portfolio contracted by 2.4% in the last six months to N\$2.85 billion. We expect property valuations to remain under pressure for the short- to medium term.

Oryx' commercial vacancy factor surprisingly improved from 5.4% at FY20 to 4.4% at 1H21, while the vacancy factor for the residential properties deteriorated from 10.8% to 12.5% during the same period. Despite residential vacancies deteriorating, we still expect rental income from the residential portfolio for the full year to be higher than in FY20 due of the fact that this will be the first full year of ownership of the residential properties.

Interest bearing borrowings declined slightly to N\$1.25 billion in 1H21 from N\$1.31 billion in FY20. Oryx' gearing ratio fell to 38.9% as a result (FY20: 39.1%) and remained just below management's self-imposed 40% cap. The weighted average interest rate increased moderately to 5.9% (FY20: 5.8%), which Oryx states is due to additional financing at a more expensive rate obtained during the period. Subsequent to the reporting period, Oryx concluded the refinancing of N\$779 million of debt facilities with ABSA. Oryx converted half of the Euro loan to Namibia Dollar debt to reduce the risk of foreign currency deterioration. Better rates were obtained for most of the ABSA debt including the remaining half of the Euro debt.

The share price has declined substantially since November, dropping 24.1% to N\$12.51, which could indicate that Oryx is trading closer to its intrinsic value. As the results were roughly in line with our expectations, coupled with the large decline in the share price, we upgrade our recommendation on ORY to a **HOLD**. Our target price will be revised with our full report on the 1H21 results, as will the forecasts in the table at the top of the page.

LHN Share Price vs Target Price (c)



Dividends

Notice is hereby given that a distribution of 56.50 cents per linked unit was declared on 05 March 2021 for the period ended 31 December 2020.

- Last day to trade cum distribution: 19 March 2021*
- First day to trade ex-distribution: 23 March 2021
- Record date: 26 March 2021
- Payment date: 01 April 2021

*Unitholders contemplating trading on the last day to trade should be aware that Monday, 22 March 2021 is a Namibian public holiday and may thus affect the entry of such a trade into the share register of the company. The necessary arrangements should be made with a stockbroker to ensure that the trade is correctly recorded in the share register of the company.



IJG Holdings

Group Chairman

Mathews Hamutenya
Tel: +264 (61) 256 699

Group Managing Director

Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Group Financial Manager

Helena Shikongo
Tel: +264 (61) 383 528
helena@ijg.net

Group Compliance Officer

Zanna Beukes
Tel: +264 (61) 383 516
zanna@ijg.net

IJG Securities

Managing Director Designate

Eric van Zyl
Tel: +264 (61) 383 530
eric@ijg.net

Financial Accountant

Tashiya Josua
Tel: +264 (61) 383 511
tashiya@ijg.net

Settlements & Administration

Maria Amutenya
Tel: +264 (61) 383 515
maria@ijg.net

Sales and Research

Danie van Wyk
Tel: +264 (61) 383 534
danie@ijg.net

Equity & Fixed Income Dealing

Leon Maloney
Tel: +264 (61) 383 512
leon@ijg.net

Financial Accountant

Gift Kafula
Tel: +264 (61) 383 536
gift@ijg.net

Sales and Research

Dylan van Wyk
Tel: +264 (61) 383 529
dylan@ijg.net

IJG Wealth Management

Managing Director

René Olivier
Tel: +264 (61) 383 520
rene@ijg.net

Portfolio Manager

Ross Rudd
Tel: +264 (61) 383 523
ross@ijg.net

Money Market & Administration

Emilia Uupindi
Tel: +264 (61) 383 513
emilia@ijg.net

Wealth Manager

Andri Ntema
Tel: +264 (61) 383 518
andri@ijg.net

Wealth Administration

Lorein Kazombaruru
Tel: +264 (61) 383 521
lorein@ijg.net

Wealth Administration

Madeline Olivier
Tel: +264 (61) 383 533
madeline@ijg.net

Wealth Manager

Wim Boshoff
Tel: +264 (61) 383 537
wim@ijg.net

IJG Capital

Managing Director

Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

Business Analyst

Mirko Maier
Tel: +264 (61) 383 531
mirko@ijg.net

Business Analyst

Lavinia Thomas
Tel: +264 (61) 383 532
lavinia@ijg.net

Value Add Analyst

Fares Amunkete
Tel: +264 (61) 383 527
fares@ijg.net

IJG Advisory

Managing Director

Herbert Maier
Tel: +264 (61) 383 522
herbert@ijg.net

Director

Jolyon Irwin
Tel: +264 (61) 383 500
jolyon@ijg.net

Aldes Namibia Business Brokers

Broker

Ursula Gollwitzer
Tel: +264 (61) 383 535
ursula@aldesnamibia.com

Broker

Richard Hoff
Tel: +264 (61) 383 500
richard@aldesnamibia.com

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4th Floor, 1@Steps, C/O Grove and Chasie Street, Kleine Kuppe, Windhoek

P O Box 186, Windhoek, Namibia

Tel: +264 (61) 383 500 www.ijg.net

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